No. 17-14110-AA

In the United States Court of Appeals for the Eleventh Circuit

Fastcase, Inc.,
Plaintiff-Appellant,

v.

Lawriter, LLC,
Defendant-Appellee.

On Appeal
from the United States District Court for the Northern District of Georgia
(Hon. Timothy C. Batten, Sr., United States District Judge)
NO. 1:17-cv-414-TCB

BRIEF OF APPELLANT FASTCASE, INC.

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Certificate of Interested Persons
and Corporate Disclosure Statement

Pursuant to Eleventh Circuit Rule 28-1(b), Appellant submits this Certificate of Interested Persons and Corporate Disclosure Statement:

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Batten, Hon. Timothy C., U.S. District Judge for the Northern District of Georgia, Atlanta Division

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No publicly traded company or corporation has an interest in the outcome of this case or appeal.

Statement Regarding Oral Argument

Appellant submits that this appeal is appropriate for oral argument, for two reasons.

First, the appeal presents issues concerning the standard to be followed in assessing the existence of diversity jurisdiction; specifically, the weight to be accorded to a plaintiff's pleadings and evidence in assessing the amount in controversy on a claim for declaratory judgment. The Supreme Court explained long ago:

> The rule governing dismissal for want of jurisdiction in cases brought in the federal court is that, unless the law gives a different rule, the sum claimed by the plaintiff controls if the claim is apparently made in good faith. **It must appear to a legal certainty that the claim is really for less than the jurisdictional amount to justify dismissal.**

St. Paul Mercury Indemnity Co. v. Red Cab Co., 303 U.S. 283, 288-289 (1938) (emphasis added).

This Court has said that, "where jurisdiction is based on a claim for indeterminate damages, the *Red Cab Co.* 'legal certainty' test gives way." *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2013). The District Court held that the "legal certainty" test" should not apply whenever a plaintiff brings a claim for declaratory judgment, and gave no deference to plaintiff-appellant's good-faith allegation of the amounts in controversy, even though this is not a claim for "indeterminate damages."

Second, this appeal presents an alternative issue of first impression concerning federal question jurisdiction. Specifically, does a litigant's threat to sue for infringement of copyright and for related common law claims implicate federal question jurisdiction, when the party making the threat has not yet filed for copyright registration? The District Court held that it did not, in reliance on this Court's decision in *Stuart Weitzman, LLC v. Microcomputer Resources*, *Inc*., 542 F.3d 859 (11th Cir. 2008), even though there was no explicit threat of a copyright infringement suit in that case.

Appellant submits that, in the presence of such an explicit threat, the purpose of the Declaratory Judgment Act would be undermined if the copyright claimant can prevent the threatened party from obtaining judicial relief, because the party making the threat may file for copyright registration at any time in order to make good on its threat.

If the Court were to conclude that the explicit threat in this case is not enough of a distinction to bring this case outside the scope of *Stuart Weitzman,* then reconsideration of *Stuart Weitzman* would be appropriate to determine how much of that decision remains good law in light of the Supreme Court's subsequent holding in *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 157 (2010) that "Section 411(a)'s registration requirement is a precondition to filing a claim that does not restrict a federal court's subject-matter jurisdiction."

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Statement of Subject-Matter and Appellate Jurisdiction

(A) The district court's subject-matter jurisdiction was based on 28 U.S.C., §§ 1331 and 1332(a)(1):

(1) Diversity of citizenship is undisputed. Doc. 4-1 at 7. Plaintiff-Appellant Fastcase is a corporation organized and existing pursuant to the laws of the State of Delaware, with its principal place of business in Washington, District of Columbia. Doc. 1 at 2, ¶ 2. Thus, Fastcase is a citizen of the State of Delaware and the District of Columbia for purposes of assessing diversity jurisdiction. Defendant-Appellee Lawriter is a single-member limited liability company, whose sole member is a limited liability company with two members, Paresh Sheth and Satish Sheth, both of whom are citizens and residents of the State of California. Doc. 1 at 2, ¶ 3. Thus, Lawriter is a citizen of California for purposes of assessing diversity jurisdiction.

Fastcase seeks to avoid loss and potential liability, each in excess of $75,000. If Fastcase does not publish the official text of the Georgia Rules and Regulations, as published on the website of the Georgia Secretary of State (maintained by Lawriter pursuant to its own contract with the Secretary of State), Fastcase cannot fully perform its contract with the State Bar, subjecting that contract to termination. The record shows that the contract is worth "hundreds of thousands of dollars" to Fastcase. Doc. 1 at 10, ¶ 31. On the other hand, if

Fastcase copies and republishes the regulations from the official website of the Georgia Secretary of State, without a judicial declaration of its right to do so, it will be subjected to a claim by Lawriter for breach of contract in the amount of at least $20,000 for each time Fastcase accesses the website *and* each time Fastcase allows any subscriber to download any portion of the Georgia Regulations from Fastcase's own database library. *Id.* at 9-10, ¶¶ 29-30. There is no third possibility; either Fastcase publishes the Georgia Regulations or it does not publish them. Either way, Fastcase's exposure (unless protected by the requested declaration) exceeds $75,000. Therefore, the direct benefit Fastcase seeks to obtain from this action exceeds the jurisdictional requirement for diversity jurisdiction.

(2) Jurisdiction is also founded on a question of federal law, because Lawriter has explicitly threatened to sue Fastcase for copyright infringement if Fastcase copies the Georgia Regulations from the Secretary of State's website. *Id.* at 9, ¶ 26. Copyright infringement is exclusively within the subject matter jurisdiction of the federal courts, pursuant to 17 U.S.C., § 301(a) and 28 U.S.C., § 1338(a). Although Lawriter would have been precluded from filing such an infringement action by 17 U.S.C., § 411(a) at the time this action was filed, because Lawriter's claim of copyright had not yet been registered, Lawriter's threat still presented a justiciable controversy at the time this action was filed,

because Lawriter could apply for registration at any time, leaving Fastcase no way, other than declaratory relief, to protect itself from the choice between the risk of termination of its contract with the State Bar of Georgia and the risk of litigation by Lawriter.

(B) The court of appeals' jurisdiction is based on 28 U.S.C., § 1291, this being an appeal from a final judgment that disposes of all parties' claims. Doc. 14.

(C) The appeal is timely because the judgment (Doc. 14) from which the appeal is taken was entered was entered July 17, 2017, and Fastcase's Notice of Appeal (Doc. 15) was filed August 16, 2017, within the thirty days allowed by Rule 4(a)(1)(A) of the Federal Rules of Appellate Procedure.

(D) The appeal is from a final judgment that disposes of all parties' claims. Doc. 14.

Statement of the Issues

1. Did the District Court err in rejecting Fastcase's good faith allegation of the amounts in controversy, (a) where the amounts are neither immeasurable nor speculative, (b) where Lawriter does not dispute that the value of Fastcase's contract with the State Bar exceeds $75,000, and (c) where the contract Lawriter seeks to impose through "Terms and Conditions of Agreement for Access" on the Secretary of State's website includes a liquidated provision that would impose liability on Fastcase in excess of $75,000.

2. Did the District Court err in holding that Fastcase's declaratory relief action did not raise any federal question, where (a) Lawriter could apply for copyright registration at any time, leaving Fastcase no way, other than declaratory relief, to protect itself from the choice between the risk of termination of its contract with the Georgia State Bar and the risk of litigation by Lawriter; (b) copyright infringement is exclusively within the subject matter jurisdiction of the federal courts; and (c) any potential state-law claims Lawriter might assert would be subject to copyright pre-emption.

Statement of the Case

Appellant Fastcase, a Delaware corporation headquartered in Washington, D.C., is a legal publisher that provides online access to searchable databases of public law, including federal and state statutes (all 50 states and the District of Columbia), administrative rules and regulations, and judicial decisions, as well as to secondary sources in many states, including Georgia. Doc. 1 at 6, ¶ 13.

In 2010, Fastcase entered into a contract with the State Bar of Georgia pursuant to which Fastcase was required to, and did, build a database of Georgia law, including the Georgia Regulations. *Id.*, ¶ 15. The State Bar of Georgia pays an annual per-member fee to Fastcase pursuant to a contract that requires Fastcase to make its databases, specifically including the Georgia Regulations, available as a free benefit to all 40,000-plus members of the State Bar. *Id.*

Prior to April 2016, Fastcase updated its database of the Georgia Regulations multiple times per week by visiting the official Georgia Regulations page of the website of the Secretary of State of Georgia, to satisfy its contractual obligations to the State Bar of Georgia. *Id.* at 7, ¶ 19.

Appellee Lawriter is a limited liability company owned by another limited liability company, SSN Holdings, LLC, which has two members, Satish and Paresh Sheth, both of whom are citizens of California. Doc. 1 at 2, ¶ 3. Lawriter operates under the name "Casemaker" (*id.* at 7, ¶ 16) as a legal publisher based in

Charlottesville, Virginia (Doc. 4-2 at 8). Lawriter contends that it has the exclusive rights to electronically publish the Georgia Regulations. Doc. 13 at 2.

On or about March 16, 2015, Lawriter entered into a contract with the Secretary of State of Georgia to publish the Georgia Regulations on a web site. Doc. 4-2 at 8-12. The Secretary of State contractually obliged Lawriter to:

> make the [Georgia Regulations] continuously and freely available twenty-four (24) hours a day, seven (7) days a week for viewing and searching by the general public via Internet connection; **this shall be done at no charge and without the requirement of any passwords, codes, or registration requirements of any kind**.

Id. at 9, ¶ D(1).

Lawriter was also authorized by the Secretary of State "to sell complete copies of the entire set of rules and regulations or individual chapters of the rules and regulations at such reasonable prices and terms that Lawriter may determine in its sole discretion." *Id.,* ¶ E.

This dispute began in December 2015, when Lawriter issued a cease and desist letter to Fastcase, threatening to sue Fastcase for publishing the Georgia Rules and Regulations (the "Georgia Regulations"). Doc. 1 at 7-8, ¶ 20. In that letter, Lawriter threatened to "take those steps Lawriter deems necessary to protect its rights, which may include litigation," if Fastcase did not immediately remove the Georgia Regulations from Fastcase's service. *Id.* at 7-8, ¶ 20. Lawriter did not specify the nature of the claims it would assert.

THE PREVIOUS SUIT

Fastcase responded in February 2016 by filing an action for declaratory relief in the United States District Court for the Northern District of Georgia. *Id.* at 8, ¶ 23. Fastcase alleged federal question jurisdiction on the ground that Lawriter's threat of suit must have been founded on either a claim of copyright or an equivalent right, either of which would have been within the exclusive jurisdiction of the federal courts. Fastcase also alleged diversity jurisdiction, on the ground that the parties were citizens of different states and the amount in controversy exceeded $75,000.

Lawriter initially answered and asserted counterclaims for unjust enrichment and for "quantum meruit/quasi contract." *Id.*, ¶ 24. Then, Lawriter added "Terms and Conditions of Agreement for Access to Rules and Regulations of the State of Georgia Website" to the Secretary of State's web site, in what appears to be a direct violation of Lawriter's contract with the Secretary of State to provide free access to the Georgia Regulations without restrictions. *Id.* at 7, ¶ 18. The new Terms and Conditions of Agreement for Access required any user to affirmatively consent to the following terms, among others:

> You agree that you will not sell, will not license, and will not otherwise make available in exchange for anything of value, anything that you download, print, or copy from this site.
>
> You agree that you will not copy, print, or download any portion of the regulations posted on this site exceeding a single chapter of

> regulations for sale, license, or other transfer to a third party, except that you may quote a reasonable portion of the regulations in the course of rendering professional advice.
>
> If you violate this agreement, or if you access or use this website in violation of this agreement, you agree that Lawriter will suffer damages of at least $20,000.

Id. at 3-4, ¶ 6.

Then, Lawriter filed an amendment withdrawing its counterclaims. *Id.* at 8-9, ¶ 25.

Then, Lawriter confirmed that it would sue Fastcase anyway, if Fastcase continued to copy and republish the Georgia Regulations from the Secretary of State's web site. *Id.* at 9, ¶ 26. Unlike its original cease-and-desist letter, which was vague about what "rights" Lawriter intended to assert, Lawriter explicitly included "a claim for copyright infringement" among the claims Lawriter was now threatening, despite not having yet registered any claim of copyright:

> Lawriter anticipates that, if Plaintiff were allowed to amend or supplement its Complaint to state a claim based on the period after April 7, 2016, Lawriter would present a claim for breach of contract that would not be preempted by the Copyright Act, along with a claim for copyright infringement, depending on whether Plaintiff copied any materials authored by Lawriter.

Id.

Fastcase's previous suit was dismissed without prejudice on January 26, 2017, for lack of subject matter jurisdiction. *Id.*, ¶ 27. Specifically, the District Court held that there was no federal question because Lawriter had not yet registered any claim of copyright in the Georgia Regulations, and that there was no diversity jurisdiction because Fastcase had not alleged with specificity an amount in controversy exceeding $75,000. *Id.* at 3 n. 1.

THIS SUIT

Fastcase then filed this action, on February 2, 2017. *Id.* Fastcase's new complaint re-asserted its original grounds for jurisdiction, and pled the amount in controversy with specificity. *Id.* Specifically, Fastcase alleged that:

- inability to offer the Georgia Regulations to all members of the State Bar of Georgia, as required by Fastcase's contract with the State Bar, would subject Fastcase to the risk that the State Bar would terminate their contract, causing a loss to Fastcase of hundreds of thousands of dollars (*id.* at 10, ¶ 31) - a loss that Fastcase sought to avoid by a declaration; and
- If Fastcase resumed its regular scans of the Secretary of State's website to maintain its database of the Georgia Regulations, Lawriter's new clickwrap "contractual" liquidated damages provision would subject Fastcase to liability to Lawriter in the amount of at least $20,000 (*id.* at 3-4, ¶¶ 6-7) - exposure that Fastcase sought to avoid by a declaration.

Lawriter modified its Terms and Conditions of Agreement for Access once again after this action was filed, changing "You agree that you will not copy, print, or download anything from this website other than for personal use" to "You agree that you will not copy, print, or download anything from this website for any commercial use." Doc. 8-1 at 2, ¶¶ 5-6.

Lawriter again moved to dismiss for lack of subject matter jurisdiction. Doc. 4.

THE DISPOSITION BELOW

On July 17, 2017, the District Court granted Lawriter's motion and dismissed the action. Doc. 13. In doing so, the District Court reached the following legal conclusions:

> Generally, a plaintiff's allegations regarding the amount-in-controversy requirement are entitled to deference by the court, meaning that the courts will dismiss for lack of jurisdiction only when it is shown to a "legal certainty" that the claim is really for less than the jurisdictional threshold. *St. Paul Mercury Indem. Co. v. Red Cab Co.*, 303 U.S. 283, 288–89 (1938); *Morrison*, 228 F.3d at 1268, 1272. However, **when a plaintiff brings a claim for declaratory judgment, "the *Red Cab Co.* 'legal certainty' test gives way**, and the party seeking to invoke federal jurisdiction bears the burden of proving by a preponderance of evidence that the claim on which it has based jurisdiction meets the jurisdictional minimum." *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2013).

Doc. 13 at 8-9 (emphasis added).

> The Court finds that the amount-in-controversy requirement is not satisfied and thus diversity jurisdiction does not exist. Given that the Eleventh Circuit has refused to find the amount-in-controversy requirement satisfied in cases where **the value of the litigation is too speculative and immeasurable**, Fastcase's first argument—that the amount-in-controversy requirement is satisfied by the monetary amount it stands to lose if the State Bar of Georgia terminates their contract—is misplaced.

Id. at 10 (emphasis added).

> The Court is equally unpersuaded by Fastcase's argument that the amount-in-controversy requirement is satisfied because it faces exposure to damages of $20,000 every time it violates Lawriter's terms of use policy. As explained by this Court in Fastcase I, **the damages or other costs Fastcase may have to pay if its request for injunctive relief is denied does not speak to "the monetary value of the object of the litigation that would flow to [Fastcase]** if the injunction were granted."

Id. at 12-13 (emphasis added).

Finally, with regard to federal question jurisdiction, the District Court concluded:

> Accordingly, in this case, federal-question jurisdiction does not exist. The facts clearly indicate that Lawriter has not registered or attempted to register an actual copyright for the Georgia Regulations. Additionally, contrary to Fastcase's suggestion, it would be unreasonable for the Court to infer from Lawriter's threats of litigation that Lawriter has begun the process of registration for its copyright.

Id. at 17-18 (emphasis added).

This appeal timely followed. Doc. 15.

CURRENT STATUS OF CONTROVERSY

When Lawriter changed the Terms and Conditions of Agreement for Access on the Secretary of State's website to purport to establish a contract with anyone seeking the text of the Georgia Regulations, Fastcase stopped checking the site rather than incur possible liability for breach of contract. Doc. 1 at 9-10, ¶ 30.

However, avoiding the frying pan that prevented Fastcase from being able to perform all its obligations to the State Bar of Georgia exposes Fastcase instead to the fire of termination of its contract with the State Bar, at a potential loss to Fastcase of hundreds of thousands of dollars. *Id.* at 10, ¶ 31.

This damned-if-you-do-damned-if-you-don't dilemma is exactly the kind of situation for which declaratory judgment was authorized. *Altvater v. Freeman*, 319 U.S. 359, 365 (1943) ("It was the function of the Declaratory Judgment Act to afford relief against such peril and insecurity"). That is the controversy Fastcase seeks to resolve by this litigation.

Statement of the Standard of Review for each Contention

This Court reviews "a district court's dismissal of a complaint for lack of subject matter jurisdiction under the *de novo* standard." *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2003), quoting *Digital Properties, Inc. v. City of Plantation*, 121 F.3d 586, 589 (11th Cir. 1997).

Summary of the Argument

The United States Supreme Court has held that "[i]t must appear to a legal certainty that the claim is really for less than the jurisdictional amount to justify dismissal." *St. Paul Mercury Indemnity Co. v. Red Cab Co*., 303 U.S. 283, 288-289 (1938) (emphasis added). This Court has held that the "legal certainty" test does not apply when the amount involved is immeasurable or speculative. *See, e.g., Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2013). The District Court erroneously held that the "legal certainty" test does not apply to *any* declaratory relief action, leading it to dismiss this action despite Fastcase's good faith allegation that the value of the right Fastcase seeks to protect here and the liability Fastcase seeks to avoid here are indisputably worth far more than $75,000, and despite Lawriter's inability to show "to a legal certainty" that the amount at stake was below that jurisdictional threshold.

The District Court further erred by improperly speculating that the State Bar might not terminate its contract with Fastcase, disregarding the undisputed allegation that, "[p]rolonged delay in updating the Georgia Regulations in Fastcase's database presents a risk of being held in breach of Fastcase's contract with the State Bar of Georgia, with a potential loss to Fastcase of hundreds of thousands of dollars." The potential loss, which Fastcase seeks to avoid by obtaining a declaration of its right to perform its contract by offering the Georgia

Regulations to all members of the State Bar of Georgia, is at stake in this litigation, and that potential loss indisputably exceeds the jurisdictional threshold of $75,000 every year. Granting the requested declaration would directly and completely eliminate the risk. Judicial speculation that the State Bar might be willing to accept something less than full performance by Fastcase was error.

The District Court also improperly disregarded the value to Fastcase of avoiding a claim by Lawriter for liquidated damages in the amount of $20,000 every time Fastcase (a) copies or downloads any of the Georgia Regulations from the Secretary of State's website; (b) uses any web crawler, scraper, or other robot or automated program or device to obtain data from the website; (c) licenses or otherwise makes available in exchange for anything of value, anything downloaded or copied from the site; or (d) copies or download any portion of the regulations posted on the site exceeding a single chapter of regulations for license or other transfer to a third party. The District Court disregarded the liability Fastcase seeks to avoid, erroneously holding itself limited to consider only the monetary value that would flow to Fastcase if it issued a declaration in Fastcase's favor. There is, however, no question that the benefit that would flow to Fastcase from the requested declaration should include value of the potential liability Fastcase would no longer be subject to if the declaration is granted. The value of Fastcase's potential liability to Lawriter is neither speculative nor immeasurable, because

Lawriter has quantified it in the "Terms and Conditions of Agreement for Access to Rules and Regulations of the State of Georgia Website" as being "at least $20,000" per violation of those terms and conditions. Speculation is not necessary to recognize that the amount involved would greatly exceed $75,000. Nor is the amount at stake "immeasurable;" although it cannot be known in advance, it could be determined with precision if Fastcase actually violated the Terms and Conditions - precisely the risk Fastcase seeks to avoid by obtaining a declaration of its rights. Granting the requested declaration would directly and completely eliminate that potential liability. The District Court's holding that avoidance of potential loss or potential liabilities is not a "monetary benefit that will flow to Fastcase" is wrong as a matter of law. *See Ericsson GE Mobile Comm'ns, Inc. v. Motorola Comm'ns & Electronics, Inc.*, 120 F.3d 216, 220 (11th Cir. 1997) (the Plaintiff's claim for monetary relief is not the complete measure of the amount in controversy because costs to be avoided must also be counted).

Finally, the District Court erred in concluding that this Court's decision in *Stuart Weitzman, LLC v. Microcomputer Resources*, *Inc.*, 542 F.3d 859 (11th Cir. 2008), precluded the exercise of subject matter jurisdiction over either the threatened copyright infringement suit or the threatened common law claims, merely because Lawriter had not yet registered its claim of copyright.

Stuart Weitzman is readily distinguishable because there was no explicit threat of a copyright infringement suit in that case, whereas Lawriter was quite clear here that it would sue Fastcase copyright infringement. To make good on its explicit threat to sue Fastcase, Lawriter need only register its claim of copyright, and Lawriter could apply for registration at any time. The law does not allow a copyright claimant to intimidate others from exercising their own lawful rights by such threats, only to avoid adjudication of the strength of the threats by deferring registration. "Section 411(a)'s registration requirement is a precondition to filing a claim that does not restrict a federal court's subject-matter jurisdiction." *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 157 (2010). Thus, although Lawriter could not **yet** sue Fastcase, the temporary procedural impediment to carrying out its threats was not a jurisdictional bar to declaratory relief.

The Supreme Court has held that a party faced with a choice between patent infringement and breach of contract may seek declaratory relief without first doing either - although it meant permitting a declaration of rights when the other party could not file suit. *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). The same logic should govern this case. Declaratory relief jurisdiction is not limited to threats that are fully ripened and matured, but must also protect against threats that can be carried out whenever the party making the threat chooses to do so. To whatever extent *Stuart Weitzman* required the result below, it should be revisited.

Argument and Citations of Authority

Under Article III of the Constitution, federal courts have the power to adjudicate actual "Cases" and "Controversies." The Declaratory Judgment Act grants federal courts the power to "declare the rights and other legal relations of any interested party seeking such declaration, **whether or not further relief is or could be** sought." 28 U.S.C., § 2201(a) (emphasis added). The Declaratory Relief Act permits "adjudication of disputes 'without requiring a destruction of the status quo.'" *Public Utilities Commission of the State of California v. United Air Lines*, 346 U.S. 402, 404 (1953) (quoting the legislative history in S.Rep. No. 1005, 73d Cong., 2d Sess., p. 6). This relieves a party from being obliged to violate rights claimed by another, and either cause or suffer substantial damages, before being able to obtain judicial relief.

The Supreme Court has held that a party faced with a choice between patent infringement and breach of contract may seek declaratory relief without first doing either - although it meant permitting a declaration of rights when the other party could not file suit because there was no infringement and no breach of contract. *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, (2007). As the Second Circuit put it a few years ago:

> By allowing us to define core legal relationships and responsibilities well before a fully formed legal case is presented—**indeed, before a coercive suit might even be possible**—we ensure a more rapid resolution of such disputes, we refine and narrow the issues to be

> litigated in an eventual coercive suit, and, by providing an alternate dispute resolution method, we may even keep some full-blown lawsuits from occurring. All this saves the parties (and the courts) time, effort, and money.

Garanti Finansal Kiralama A.S. v. Aqua Marine & Trading Inc., 697 F.3d 59 (2nd Cir. 2012) (emphasis added).

The Declaratory Judgment Act does not, however, provide subject matter jurisdiction. A party seeking a declaration of rights must establish federal subject matter jurisdiction on some other ground.

I. DIVERSITY JURISDICTION IS ESTABLISHED HERE BECAUSE THIS CASE IS WORTH MORE THAN $75,000 TO FASTCASE

Diversity jurisdiction requires parties of different citizenship and an amount in controversy in excess of $75,000. 28 U.S.C., § 1332(a). Complete diversity of citizenship is undisputed here. Doc. 13 at 7, n. 1. The issue is whether the amount-in-controversy requirement has been satisfied.

A. The District Court Erred by Applying the Wrong Legal Standard in Evaluating the Amount in Controversy

1. The law requires treating good faith allegations as sufficient unless the amount in controversy is "immeasurable" or "speculative"

Unlike an action for damages, where determining the amount in controversy for diversity purposes is relatively straightforward, actions for declaratory relief are often filed before either party suffers substantial damages. As noted earlier, one of the purposes of the Declaratory Judgment Act is to encourage dispute resolution before either party suffers damages. Therefore, in a declaratory judgment action, "[f]or amount in controversy purposes, the value of … declaratory relief is the value of the object of the litigation measured from the plaintiff's perspective." *Morrison v. Allstate Indem. Co*., 228 F.3d 1255, 1268 (11th Cir. 2000) (internal quotation marks omitted).

"Stated another way, the value of declaratory relief is the monetary value of the benefit that would flow to the plaintiff if the relief he is seeking were granted." *S. Fla. Wellness, Inc. v. Allstate Ins. Co*., 745 F.3d 1312, 1316 (11th Cir. 2014) (internal quotation marks omitted and alteration adopted). This Court has cited with approval the Tenth Circuit's clarification that "[t]he amount in controversy is not proof of the amount the plaintiff will recover. Rather, it is an estimate of the amount that will be put at issue in the course of the litigation." *S. Fla. Wellness, Inc. v. Allstate Ins. Co*., 745 F.3d 1312, 1315 (11th Cir. 2014), quoting *McPhail v. Deere & Co*., 529 F.3d 947, 956 (10th Cir. 2008).

In some circumstances, this approach means determining the value of the right, or property, that the parties dispute. In others, the amount in controversy may be measured by the amount of liability the declaratory plaintiff seeks to avoid incurring or by the amount of loss the declaratory plaintiff seeks to avoid suffering. *Kheel v. Port of New York Authority*, 457 F.2d 46, 49 (2d Cir.), *cert. denied*, 409 U.S. 983 (1972) Neither of these approaches to measurement of the amount in controversy is quite so simple and direct as in an action for damages in which the plaintiff can present evidence identifying to the penny the amount of damages it has already suffered. However, it is not necessary to allege a precise amount, so long as the amount alleged to be in controversy is measurable and exceeds $75,000.

> Estimating the amount in controversy is not nuclear science; it does not demand decimal-point precision. . . . And the undertaking is not to be defeated by unrealistic assumptions that run counter to common sense.

S. Fla. Wellness, Inc. v. Allstate Ins. Co., 745 F.3d 1312, 1317 (11th Cir. 2014).

As the Supreme Court explained long ago:

> The rule governing dismissal for want of jurisdiction in cases brought in the federal court is that, unless the law gives a different rule, the sum claimed by the plaintiff controls if the claim is apparently made in good faith. **It must appear to a legal certainty that the claim is really for less than the jurisdictional amount to justify dismissal.**

St. Paul Mercury Indemnity Co. v. Red Cab Co., 303 U.S. 283, 288-289 (1938) (emphasis added).

2. The District Court applied the wrong standard

The District Court mistakenly swept aside the "legal certainty" standard established by the Supreme Court, stating that it simply does not apply in declaratory judgment actions:

> However, **when a plaintiff brings a claim for declaratory judgment**, "the *Red Cab Co*. 'legal certainty' test gives way, and the party seeking to invoke federal jurisdiction bears the burden of

> proving by a preponderance of evidence that the claim on which it has based jurisdiction meets the jurisdictional minimum." *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2013).

Doc. 13 at 9 (emphasis added).

This was the first reversible legal error by the District Court. In *Federated,* the case cited below, this Court did not say that the test gave way whenever a plaintiff brought a claim for declaratory judgment. What the Court said in *Federated* was that, "**where jurisdiction is based on a claim for indeterminate damages**, the *Red Cab Co*. 'legal certainty' test gives way." *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 807 (11th Cir. 2013) (emphasis added). The distinction is important, because *this* is not a claim for "indeterminate damages," so *Federated* provides no ground for requiring anything more than a good-faith allegation of the amount in controversy.

Federated was an insurance coverage dispute, in which the insured had "demanded the $50,000 policy limits of the employee dishonesty provision from Federated and threatened to sue for bad faith failure to pay if Federated did not tender the policy limits." *Id.* at 806. Federated had argued that the $50,000 policy limit, plus the threatened claim for bad faith, exceeded the $75,000 jurisdictional limit. "But, McKinnon did not and has not placed any dollar amount on the various damages it is seeking under its bad faith claim. Therefore, the damages McKinnon prays for under the bad faith claim are indeterminate." *Id.* at 808. If the policy limit itself had been higher than $75,000, of course, the "immeasurable" nature of the bad faith claim would not have mattered because jurisdiction would have been clear in any event.

The good-faith standard is satisfied unless the value of the equitable relief sought is "too speculative and immeasurable." *Ericsson GE Mobile Comm'ns, Inc. v. Motorola Comm'ns & Elecs., Inc.*, 120 F.3d 216, 221-222 (11th Cir. 1997). "It is a matter of degree." *S. Fla. Wellness, Inc. v. Allstate Ins. Co*., 745 F.3d 1312, 1315–16 (11th Cir. 2014). Relief is considered "speculative and immeasurable" only when it is not clear that the declaration would have *any* value to the declaratory plaintiff. The right to participate in an auction (the circumstance at issue in *Ericsson*), or the right to apply for a job promotion, exemplify the second exception. In such cases the plaintiff might not ever achieve any actual benefit (because it might not win the promotion or the auction), regardless of the outcome of the declaratory action. A favorable declaration in those circumstances would not actually deliver the valuable benefit the plaintiff ultimately seeks, so it cannot be said that the declaration itself would provide value exceeding the jurisdictional minimum.

3. Fastcase's good-faith allegations are sufficient because Lawriter has not shown "to a legal certainty" that <u>the requested declaration would be worth less than $75,000 to Fastcase</u>

(a) Fastcase's allegations

Fastcase alleged that its seeks to avoid the loss of its contract with the State Bar of Georgia, a contract worth more than $75,000 to Fastcase:

> 5. The amount in controversy exceeds $75,000 because, if Fastcase were unable to offer the Georgia Regulations to all members of the State Bar of Georgia, Fastcase's contract with the State Bar would be subject to termination, causing a loss to Fastcase of substantially more than $75,000 per year.
>
> . . . . 15. In 2010, Fastcase entered into a contract with the State Bar of Georgia pursuant to which Fastcase was required to, and did, build a database of Georgia law, including the Georgia Regulations. The State Bar of Georgia pays an annual per-member fee to Fastcase pursuant to a contract that requires Fastcase to make its databases, including the Georgia Regulations, available as a free benefit to all 40,000-plus members of the State Bar.
>
> . . . . 31. Prolonged delay in updating the Georgia Regulations in Fastcase's database presents a risk of being held in breach of Fastcase's contract with the State Bar of Georgia, with a potential loss to Fastcase of hundreds of thousands of dollars.

Doc. 1 at 3, 6 and 10.

Fastcase also alleged that it brought this action to avoid a potential liability to Lawriter far in excess of $75,000:

> 29. Lawriter contends that the revisions it made to the Secretary of State's website establish a valid and enforceable contract between Lawriter and any party using that site for any purpose, including agreement to liquidated damages of $20,000 **per "violation."**

Doc. 1 at 9 (emphasis added).

> 6. In addition, Lawriter itself has claimed that the amount in controversy exceeds $75,000, in the "Terms of Use" that Lawriter established for the Georgia Regulations page of the website of the Georgia Secretary of State. Those terms include: . . . .
>
> > If you violate this agreement, or if you access or use this website in violation of this agreement, you agree that Lawriter will suffer damages of at least $20,000.
>
> 7. By these terms, Lawriter asserts that each and every time that Fastcase updates the Georgia Regulations from its sole official source, the website of the Georgia Secretary of State, and every time Fastcase offers such information to any member of the State Bar of Georgia or any other subscriber, "Lawriter will suffer damages of at least $20,000." To provide a current Georgia law library to members of the State Bar of Georgia in compliance with its contract, Fastcase would be required to engage in conduct that Lawriter would consider a violation, at least daily, and possibly thousands of times every day, depending on how many members access Fastcase's Georgia Database. The value attached by Lawriter to its threatened claims against Fastcase is thus substantially in excess of $75,000.

Doc. 1 at 3-4.

Lawriter does not contend that these allegations are made in bad faith, and does not dispute their factual content.

(b) The amount alleged to be in controversy here is not speculative

The District Court's also erred by analogizing this action to *Ericsson GE Mobile Comm'ns, Inc. v. Motorola Comm'ns & Electronics, Inc.*, 120 F.3d 216 (11th Cir. 1997). Doc. 13 at 11. In *Ericsson*, the declaratory relief plaintiff sought to establish the right to bid on a government contract. Because the outcome of such a bid remained speculative, the Court could not find that value of the right to bid was the same as the potential value of a contract still subject to bidding. Because the contract might be awarded to someone else, even if the plaintiff obtained a declaration of its right to participate in the auction, the value of the right to bid, which was all that was directly at stake, was "too speculative and immeasurable to satisfy the amount in controversy requirement" (*Ericsson* at 221-222), and therefore could not satisfy the diversity threshold.

Here, in contrast, Fastcase has already obtained its contract with the State Bar. The right at stake in this litigation is Fastcase's ability to perform that contract in full, not merely the right to try to win the contract in the first place. The State Bar contract has a readily determinable value to Fastcase, which is alleged in good faith to be "hundreds of thousands of dollars." Doc. 1 at 10, ¶ 31. The value is already there, and was already earned by Fastcase. The issue here is whether Fastcase may be permitted to continue to earn it.

Similarly, there is no room for speculation as to whether the requested declaration would shield Fastcase from liability to Lawriter. If granted, it would directly and immediately relieve Fastcase from that exposure.

(c) the amount alleged to be in controversy here is not immeasurable

Fastcase's good faith allegations placed a value on its right to republish the Georgia Regulations, in excess of $75,000. The exact amount Fastcase would lose if its contract with the State Bar were terminated would depend on how many members the State Bar has at that time, and could be calculated precisely if it came to that. In the circumstances prevailing when this action was filed, the amount was in the hundreds of thousands of dollars. Similarly, the liquidated damages provision in Lawriter's "Terms and Conditions of Agreement for Access" makes the amount of Fastcase's exposure readily measurable. Because the value of the loss and the risk Fastcase seeks to avoid are not immeasurable, the District Court erred by dismissing Fastcase's Complaint.

B. The District Court Erred By Speculating that the State Bar Might Consider Its Contract With Fastcase to be Worth Less Than $75,000

It was also reversible legal error for The District Court to evaluate the rights at stake from the perspective of the State Bar, rather than from the perspective of Fastcase. Its Order explains:

> The Court will not speculate about the importance and value of the Georgia Regulations portion of the database and attempt to predict whether the State Bar of Georgia would cancel the entire contract ***because of a problem with just the Georgia Regulations component***.[2]

Doc. 13 at 12 (emphasis added).

The footnote attached by the District Court to this statement expands:

> [2] The argument by Fastcase that it would lose the whole contract because of a problem with just the Georgia Regulations component is also undermined by the fact that the Georgia Regulations are available elsewhere for free. Given that the Georgia Regulations can be found free elsewhere, **their value to the State Bar** of Georgia and the contract becomes increasingly unclear.

Id., n. 2 (emphasis added).

> [T]he contract payment from the State Bar of Georgia is not representative of the monetary value of access to just the Georgia Regulations; it is payment for access to the entire database created by Fastcase. Accordingly, **the total contract amount is not the relevant or applicable monetary benefit that will flow to Fastcase** if the injunction is granted; thus, it cannot be used as a basis for satisfying the amount-in-controversy requirement.

Doc. 13 at 13.

This analysis has two flaws. First, the value of the contract, or any part of it, to the State Bar is irrelevant. Speculation about whether or not it is sufficiently important to the State Bar that Fastcase provide access to the Georgia Regulations is improper. "For amount in controversy purposes, the value of … declaratory relief is the value of the object of the litigation measured from the plaintiff's perspective." *Morrison v. Allstate Indem. Co.*, 228 F.3d 1255, 1268 (11th Cir. 2000) (internal quotation marks omitted).

Fastcase alleged, in good faith, that the State Bar has the right to terminate the entire contract if Fastcase continues to be unable to perform, and the value of that right to Fastcase is at stake here. That allegation is not disputed. The District Court erred by speculating that the State Bar might choose not to exercise a right it indisputably has.

Second, the value of providing access to the Georgia Regulations, in and of themselves, is also entirely beside the point. Inability to provide updates to even a single component of Fastcase's database jeopardizes the entire contract because Fastcase is intended to be a "one-stop shop" of current law for its subscribers and members of the State Bar of Georgia. Fastcase's contract with the State Bar is not *a la carte*, with separate values for each library. Much of the value provided by Fastcase is comprehensiveness. Continuing inability to offer current Georgia Regulations would disqualify Fastcase from offering a complete legal research solution to the State Bar of Georgia, which is a sufficient breach that the State Bar could terminate the entire agreement.

The significance of "one-stop-shop" convenience cannot be lost on Lawriter, which undoubtedly hopes to exploit its wrongful claim of monopoly access to supplant Fastcase as the preferred legal database provider for the State Bar. The Court need not speculate on the value of that potential to either Lawriter or the State Bar. It is sufficient that the value to Fastcase is concrete, undisputed, and substantially in excess of the jurisdictional threshold. It was error to dismiss Fastcase's Complaint.

C. Potential Liability to Lawriter is Part of the Amount in Controversy Because Fastcase Seeks to Avoid That Liability By This Action

The District Court also erred by refusing to consider Fastcase's potential liability to Lawriter, which Fastcase sought to avoid by bringing this action, as appropriate to consider when evaluating the amount in controversy:

The Court is equally unpersuaded by Fastcase's argument that the

> amount-in-controversy requirement is satisfied because it faces exposure to damages of $20,000 every time it violates Lawriter's terms of use policy. As explained by this Court in *Fastcase I*, **the damages or other costs Fastcase may have to pay if its request for injunctive relief is denied does not speak to "the monetary value of the object of the litigation that would flow to [Fastcase]** if the injunction were granted."

Doc. 13 at 12-13 (emphasis added).

The amount of liquidated damages stated in Lawriter's "Terms and Conditions of Agreement for Access to Rules and Regulations of the State of Georgia Website" is significant, not because it measures the potential harm to Lawriter if Fastcase were to resume downloading and republishing the Georgia Regulations from the Secretary of State's website, but because it measures the potential liability that Fastcase seeks to avoid. For the District Court to count only direct monetary gain to be achieved by Fastcase, without regard to liability to be avoided by the requested declaration, was reversible legal error.

1. <u>The authorities cited by the District Court do not support its conclusion</u>

The authorities cited by the District Court were two other District Court decisions, neither of which reflects the law on the point actually in issue here. Both, in fact, considered liability to be avoided, but concluded that the amounts involved were too speculative, an issue that is not present here. This case involves a contract with a measurable value, and a liquidated damages provision with a stated amount of liability per violation.

(a) *D & R Party, LLC v. Party Land, Inc.*, 406 F. Supp. 2d 1382 (N.D. Ga. 2005)

The first case cited by the District Court, *D & R Party*, involved the enforceability of a covenant not to compete, and neither party had offered evidence of what the value of free competition would be to the plaintiff. Although the defendant presented evidence of the harm it would suffer if plaintiff were freed to compete, neither party argued - and the court did not consider - the relationship between the demonstrated harm to defendant and the value to plaintiff of avoiding liability for that harm. In that context, and on that record, the district court stated:

> Where a plaintiff seeks declaratory or injunctive relief, as it does here, the removing defendant must prove that the value of injunctive or declaratory relief for amount in controversy purposes "is the monetary value of the object of the litigation that would flow to the plaintiff[] if the injunction were granted."

D & R Party, 406 F.Supp.2d at 1384 (citing *Williams v. Best Buy Co., Inc.*, 269 F.3d 1316, 1319 (11th Cir. 2001), but actually quoting *Leonard v. Enterprise Rent a Car*, 279 F.3d 967, 973 (11th Cir. 2002) (finding that injunctive relief would not be of any value to the plaintiffs because "[w]hether or not an injunction is granted in this case, the plaintiffs will be able to avoid paying").

Neither *D & R Party* nor the cases on which it is based can sustain the broader proposition that avoidance of loss may not be considered in determining the amount in controversy, because that proposition was not considered in those cases.

(b) *Ala. Power Co. v. Calhoun Power Co.*, 2012 WL 6755061 (N.D. Ala. 2012)

In this case, Alabama Power and Calhoun Power had an agreement pursuant to which Alabama Power paid Calhoun Power for electric power produced by Calhoun. Calhoun proposed to institute a proceeding before the Federal Energy Regulatory Commission, which - if successful - might have authorized it to increase its charges to Alabama Power by more than a million dollars a year. Alabama Power sued in state court to prevent Calhoun from filing such a proceeding, and Calhoun removed.

The district court found that the potential liability that Alabama Power sought to avoid was too remote and speculative to be considered, as the outcome of the declaratory relief action would not, by itself, either require or dispense with that liability. Only the FERC proceeding, over which the district court had no control, could influence that. Along the way toward that conclusion, the court said:

> Plaintiff seeks an injunction that, under the PPA, Calhoun Power cannot file a rate tariff with FERC. If this injunction is put in place, no new monetary value will flow to plaintiff.
> . . . . [T]he Eleventh Circuit has held that the value of a declaratory action is judged by the value a plaintiff will receive if an injunction is granted, not if it is denied. *See Cohen*, 204 F.3d 1077.

2012 WL 6755061, at *3.

In *Alabama Power,* unlike this case, the declaratory relief plaintiff could not avoid liability by obtaining the judgment it sought because the potential liability could not possibly be incurred until after an entirely separate proceeding was completed. The court did not, therefore, have any ground for considering the value of such potential liability to the plaintiff. *Alabama Power* cannot, therefore, stand as authority one way or the other on the question of whether to value liability that would very directly and immediately be avoided by a declaration of rights.

A more recent decision from the same district noted the significance in *Alabama Power* of the indirect and remote connection between the requested declaration and the actual value to the plaintiff, while also observing that part of the decision in *Alabama Power* was too broad to be reconciled with this Court's precedents:

> In *Alabama Power Co*., the relief conferred did not directly increase the value of the plaintiff's asset. Further, to the extent *Alabama Power Co*. requires an actual monetary benefit to be realized (instead of merely conferred), the court finds it unpersuasive. **The amount in controversy for declaratory and injunctive relief is assessed by the value of the monetary benefit of the relief, not merely the cash consequences to the plaintiff**.

Community Foundation of North Alabama v. Anniston HMA LLC, 2017 WL 1927850, *3 (N.D.Ala. May 10, 2017) (emphasis added).

(c) *Cohen v. Office Depot, Inc.*, 204 F.3d 1069 (11th Cir. 2000)

The authority correctly cited in *Alabama Power* for the proposition that value should be measured by the benefit to the plaintiff, and mistakenly cited by the District Court below for the proposition that avoided liability should not be considered, was this Court's decision in *Cohen v. Office Depot, Inc.*, 204 F.3d 1069 (11th Cir. 2000). In *Cohen,* a putative plaintiff class sued Office Depot for falsely advertising that its catalog prices "are the lowest prices available anywhere [while] the truth is that some products are less expensive if purchased at Office Depot Stores." *Id.* at 1077. The Court noted that, even if the requested injunction were granted, Office Depot could respond by raising the prices in stores to match its catalog, or by modifying its advertisements to avoid claiming that catalog prices were lower than in-store prices. *Id.* In either event, the putative plaintiff class would not receive any benefit at all. "The injunctive relief itself would not be of any monetary value to the class members." *Id.* at 1078. Because granting the relief requested would not directly provide any benefit to the plaintiff class, the Court held that the amount actually and directly in controversy did not exceed $75,000. This case is very different.

Cohen did not involve any claim for avoidance of loss, or for avoidance of potential liability. Thus, its statement that "the value of the requested injunctive relief is the monetary value of the benefit that would flow to the plaintiff if the injunction were granted" (*id.* at 1077) did not even consider whether costs or liabilities avoided should be counted in determining the value of the benefit to the plaintiff.

2. Other decisions by this Court recognize the value of liability avoided

The U.S. Supreme Court has held that the value of avoiding a potential claim by the other party should be considered in these circumstances. *See Horton v. Liberty Mutual Insurance Co*., 367 U.S. 348, 353-354 (1961) ("No matter which party brings it into court, the controversy remains the same; it involves the same amount of money and is to be adjudicated and determined under the same rules."). The logic is simple; avoidance of a cost or liability is just as much a "pecuniary consequence to those involved in the litigation" as a monetary judgment.

In 2003, this Court expressed some uncertainty about the proper interpretation of *Horton,* in *Federated Mut. Ins. Co. v. McKinnon Motors, LLC*, 329 F.3d 805, 808 n. 3 (11th Cir. 2003). There, the Court assumed - without deciding - that avoidance of liability on a threatened counterclaim could properly be considered in evaluating the amount in controversy in an action for declaratory relief. In *Federated*, the Court was not required to decide the issue because it found that the defendant had "represented that it does not seek and, more importantly, will not accept damages in excess of $74,000 exclusive of interest and costs." *Id.*

However, the avoidance of cost and expense was recognized by this Court as a legitimate component in the amount in controversy:

> [T]he plaintiff's claim for monetary damages need not, by itself, exceed the requisite statutory amount because the immediate financial

> consequences of the litigation to the plaintiff--in that case, the financial benefit of not having to pay the interest contracted to be charged--may also be considered in calculating the amount in controversy.

Ericsson GE Mobile Comm'ns, Inc. v. Motorola Comm'ns & Electronics, Inc., 120 F.3d 216, 220 (11th Cir. 1997) (discussing *Duderwicz v. Sweetwater Sav. Ass'n*, 595 F.2d 1008 (5th Cir. 1979)).

More recently, in an unpublished insurance coverage dispute, this Court concluded that the established proposition that "the value of declaratory relief is the monetary value of the benefit that would flow to the plaintiff if the relief he is seeking were granted" necessarily meant that "the value of the declaratory relief to the plaintiff-insurer is the amount of **potential** liability under its policy." *First Mercury Ins. Co. v. Excellent Computing Distribs., Inc*., 648 Fed. App'x 861, 865 (11th Cir. 2016) (emphasis the Court's).

3. Precedents from other Circuits are in accord

Sister Circuits have made this conclusion more explicit. The Second Circuit, for instance, has held that "the amount in controversy is calculated from the plaintiff's standpoint; 'the value of the suit's intended benefit' or the value of the right being protected **or the injury being averted** constitutes the amount in controversy when damages are not requested." *Kheel v. Port of New York Authority*, 457 F.2d 46, 49 (2d Cir.) (emphasis added), *cert. denied*, 409 U.S. 983 (1972), citing *Mass. State Pharmaceutical Ass'n v. Fed. Prescription Svc.*, 431

F.2d 130 (8th Cir. 1970). The Fifth Circuit, similarly, has defined the amount in controversy, in an action for declaratory or injunctive relief, as "the value of the right to be protected **or the extent of the injury to be prevented**." *St. Paul Reinsurance Co., Ltd. v. Greenberg*, 134 F.3d 1250, 1253 (5th Cir. 1998) (emphasis added), quoting *Leininger v. Leininger*, 705 F.2d 727, 729 (5th Cir. 1983).

In short, the amount of Fastcase's potential liability to Lawriter for liquidated damages, in an amount substantially in excess of $75,000, satisfies the jurisdictional threshold for diversity. It is not speculative, because the record shows exactly what Fastcase has already done, and would resume doing if permitted. It is not immeasurable, precisely because of the liquidated damages provision that fixes a minimum liability for each "violation" of Lawriter's Terms and Conditions of Agreement for Access.

4. The amount actually in controversy when the action was filed may not be diminished by judicial speculation about what the outcome might be

In its brief to the District Court, Lawriter suggested in a footnote that its liquidated damages provision might not really mean "at least $20,000" for each violation of its purported contract rights, despite the plain language of Lawriter's Terms and Conditions of Agreement for Access. Doc. 4-1 at 8, n. 2. However, Lawriter has never said what else it thinks the liquidated damages provision might mean. The possibility that Lawriter might not really sue for everything it might be entitled to pursuant to the "contract" it created is an inappropriate effort to have it both ways. Lawriter adopted these Terms and Conditions as a direct response to Fastcase's previous suit. Lawriter should not now be allowed to cry that it didn't mean what it said. *See Severe Records, LLC v. Rich,* 685 F.3d 571, 582 (6th Cir. 2011) ("Where Defendants persisted in accusing [plaintiff] of copyright infringement despite his assertions of authorship, they can hardly be heard to complain, 'But we didn't really mean it,' when they are haled into federal court on a claim for declaration of non-infringement.")

The courts of this country have long recognized the convenience to contracting parties of an agreement specifying the amount of damages to be paid in the event of a breach, without having to speculate on or litigate over the amount of damages actually incurred. *See Sun Printing Publishing Ass'n v. William Moore,* 183 U.S. 642 (1902), and cases collected there. Liquidated damages, as the Supreme Court has said, "serve a particularly useful function when damages are uncertain in nature or amount or are unmeasurable." *Priebe Sons v. United States,* 332 U.S. 407, 411 (1947).

In short, although the amount of damages Lawriter might actually suffer, if Fastcase resumes updating and republishing the Georgia Regulations, might be uncertain at this stage, Lawriter removed any need to speculate as to the amount of risk to which Fastcase would be exposed by including a liquidated damages provision in its Terms and Conditions of Agreement for Access. As noted earlier, for jurisdictional purposes, the amount in controversy is to be measured from Fastcase's perspective, not Lawriter's.

The amount of risk Fastcase seeks to avoid by this action is far in excess of $75,000. For jurisdictional purposes, that amount may not be diminished by the possibility that Fastcase might - if forced to litigate such issues - invalidate the liquidated damages provision, or the entire Terms and Conditions for that matter. Speculation, as to the possible result of the very litigation sought to be avoided, is incompatible with the very idea of declaratory relief, and would be inappropriate in the threshold context of evaluating the amount in controversy.

> What counts is the amount in controversy at the time of removal. [citation omitted] It is less a prediction of "how much the plaintiffs are ultimately likely to recover," than it is an estimate of how much will be put at issue during the litigation. [citation omitted] Potential developments, such as "[t]he possibility that the putative class will not be certified, or that some of the unnamed class members will opt out," are irrelevant to the jurisdictional analysis.

S. Fla. Wellness, Inc. v. Allstate Ins. Co., 745 F.3d 1312, 1315 (11th Cir. 2014), quoting *Pretka v. Kolter City Plaza II, Inc.*, 608 F.3d 744, 751 (11th Cir. 2010) (in turn quoting *Amoche v. Guarantee Trust Life Ins. Co.*, 556 F.3d 41, 51 (1st Cir. 2009)).

Fastcase, therefore, remains faced with a potential claim for "at least

$20,000" for each and every download of the Georgia Regulations from the Secretary of State's website, plus another "at least $20,000" for each and every occasion on which Fastcase makes the Georgia Regulations available to any Georgia Bar member or other subscriber. The $75,000 requirement for diversity jurisdictional is satisfied by Fastcase's potential liability to Lawriter, so the District Court erred in dismissing Fastcase's Complaint.

II. LAWRITER'S THREAT TO SUE FASTCASE FOR COPYRIGHT INFRINGEMENT ESTABLISHES FEDERAL QUESTION JURISDICTION FOR PURPOSES OF DECLARATORY RELIEF

Federal question jurisdiction requires a dispute "arising under the Constitution, laws or treaties of the United States." 28 U.S.C., § 1331. The federal district courts have exclusive subject matter jurisdiction over cases and controversies arising under the federal Copyright Act. 17 U.S.C., § 301(a). Nonetheless, the District Court refused jurisdiction on the ground that Lawriter had not yet registered its claim of copyright, citing this Court's conclusion in *Stuart Weitzman, LLC v. Microcomputer Resources, Inc.*, 542 F.3d 859, 863 (11th Cir. 2008) that "only those copyright holders that at least apply to register their copyrights may invoke the subject matter jurisdiction of the federal courts in an infringement suit."

In *Stuart Weitzman,* the Court reasoned that, as "this circuit has held that § 411(a)'s 'registration requirement is a jurisdictional prerequisite to an infringement suit" (quoting *M.G.B. Homes, Inc. v. Ameron Homes, Inc*., 903 F.2d 1486, 1488, n. 4 (11th Cir. 1990)), and the declaratory defendant had not registered, it "could not sustain an infringement action in federal court." Without a "hypothetical coercive action" that could be filed in federal court, the analysis continued, a declaratory relief action could not raise a federal question, either. 542 F.3d at 863.

A. *Stuart Weitzman* is Distinguishable Because Lawriter's Threat to Sue for Copyright Infringement Establishes Federal Question Jurisdiction

In *Stuart Weitzman,* there had been no threat of suit for copyright infringement to be avoided by declaratory relief. The Court there acknowledged that an Illinois District Court had posed the question raised here - but which had not been present there:

> But can a party accuse another of infringement and prevent the alleged infringer from seeking redress by failing to bring a coercive lawsuit? The answer is obviously "no"; that is a reason for permitting declaratory judgment actions. We think that answer pertains when the accuser seeks to prevent the alleged infringer from seeking redress by failing to register the copyright.

Application Science and Technology, LLC v. Statmon Technologies Corp., 2006 WL 1430215 (N.D.Ill. 2006) (denying motion to dismiss for lack of subject matter jurisdiction where a claim had been made for infringement of "common law copyright law," a meaningless term).

The logic of *Application Science* should hold where, as here, there is an actual threat of federal copyright litigation. It has long been established that declaratory jurisdiction is available to resolve a contract dispute without requiring either party to breach the contract, even though the party that would sue the other for breach cannot yet file such a suit.

> In such a situation, a party to a contract is not compelled to wait until he has committed an act which the other party asserts will constitute a breach, but may seek relief by declaratory judgment and have the controversy adjudicated in order that he may avoid the risk of damages or other untoward consequence.

Keener Oil & Gas Co. v. Consolidated Gas Utilities Corp., 190 F.2d 985, 989 (10th Cir. 1951).

Thus, in a New Jersey case in which there was neither a copyright registration nor a threat to sue, a declaratory judgment action for noninfringement was still permitted. *Telebrands Corp. v. Exceptional Prods. Inc.*, 2011 WL 6029402, *3 (D.N.J. 2011). The *Telebrands* court considered the existence of the controversy sufficient: "[i]n light of the fact that an actual controversy does exist here - and the fact that EPI could elect to register the copyright at any time and then commence suit - the Court rejects EPI's arguments" that subject matter jurisdiction was lacking. 2011 WL 6029402, *3.

Here, the situation is the same, in one sense: the party that would sue the other for copyright infringement cannot yet file such a suit. In a more important sense, however, jurisdiction should be even more clear here, because the party that would sue for copyright infringement has it entirely within its power to take the final, formal step necessary to attain the power to sue, at the time of its own choosing.

Any state court presented with the request for relief that Fastcase makes here should be expected to dismiss it for lack of subject matter jurisdiction, because federal pre-emption of copyright claims, unlike the registration requirement, is not limited to infringement claims:

> On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, **no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State**.

17 U.S.C., § 301(a) (emphasis added).

For the federal courts also to refuse jurisdiction, merely because Lawriter could not yet sue when Fastcase sought judicial relief, leaves Fastcase without the remedy the Declaratory Judgment Act was enacted to provide.

B. In Any Event, the Pertinent Part of *Stuart Weitzman* is Now Questionable

The *Stuart Weitzman* decision has not been universally followed. The Fourth Circuit, for example, has affirmed a declaratory judgment notwithstanding failure to register. *CACI Int'l, Inc. v. Pentagen Technologies Int'l.*, 1995 WL 679952, *3 n. 4 (4th Cir. 1995) (unpublished). It was also not well received by commentators. *See, e.g.*, WILLIAM F. PATRY, 5 PATRY ON COPYRIGHT § 17:49.50 (2017) ("The *Weitzman* opinion is not only incorrect as a matter of statutory interpretation, but represents bad policy since it places declaratory judgment plaintiffs in an untenable position: only the putative declaratory judgment defendant can file an application for registration").

Since this Court issued *Stuart Weitzman,* the United States Supreme Court has clarified "that [17 U.S.C.] § 411(a) does not restrict a federal court's subject-matter jurisdiction." *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 170 (2010). This Court has recently confirmed that it still considers *Stuart Weitzman* to be good law, at least for the specific proposition that registration is a procedural requisite for filing an infringement suit. *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*, 856 F.3d 1338 (11th Cir., May 18, 2017) (U.S. cert. pending, No. 17-571).

The Court has not, however, revisited the question of whether the registration requirement in § 411(a) still precludes declaratory judgment jurisdiction. Now that the Supreme Court has clarified that the registration requirement is not jurisdictional, the Court should consider the fundamental difference in character between a suit for infringement, which is explicitly precluded by § 411(a) unless the plaintiff has registered its claim of copyright, and a suit for declaration of rights, which is not subject to any such bar but which cannot be brought in state court. There is no reason why copyright should be the only type of claim that cannot be resolved by declaratory judgment before all the elements of a coercive affirmative claim are in place.

To the extent that the *Stuart Weitzman* decision bound this Court to reject federal question jurisdiction before *Reed Elsevier, Inc. v. Muchnick*, it no longer does. The question is again open.

By this appeal, Fastcase does not ask this Court to go so far as to reverse *Stuart Weitzman*. Because this appeal involves an actual controversy, involving an actual threat of a suit for copyright infringement, this appeal is very different from *Stuart Weitzman* and from the district court decisions noted above. Here, the fact that Lawriter could acquire the right to sue at any time establishes the necessary elements of a plea for declaratory relief, and the fact that the threatened suit would be for copyright infringement establishes federal question jurisdiction. The threat, and the ever-present power to carry it out by seeking registration, were both already matters of fact when this action was filed, so no speculation about possible future events is necessary.

C. Lawriter's Threats to Sue for Breach of Contract Also Establish Federal Question Jurisdiction

The District Court noted, mistakenly, that "it is undisputed that the only federal claims potentially implicated by Lawriter's threatened litigation are federal copyright claims." Doc. 13 at 15. To the contrary, Lawriter has also threatened to assert "a claim for breach of contract that would not be preempted by the Copyright Act." Doc. 1 at 9, ¶ 26. Lawriter's carefully worded threat, however, raises a question of whether any of Lawriter's other claims really would be pre-empted by copyright. That question was left open in *Stuart Weitzman*: "In this case, we need not decide whether to follow our four sister circuits and hold that the Copyright Act has complete preemptive effect." 542 F.3d at 865.

To the extent that the cause of action anticipated by Fastcase - as confirmed by the counterclaims Lawriter actually did assert in the prior action, and re-affirmed by Lawriter's continuing claims of exclusive rights - are founded on the acts of copying, preparation of derivative works, distribution or display (all exclusive rights under copyright law), they are pre-empted and governed by federal copyright law. 17 U.S.C., § 301. To the extent that the claims threatened by Lawriter are pre-empted by federal copyright law, subject matter jurisdiction is established by 28 U.S.C., § 1338(a), in addition to general federal question jurisdiction pursuant to 28 U.S.C., § 1331.

Although Lawriter's most recent threat was to sue for breach of contract, any contractual claims asserted by Lawriter would necessarily be predicated on Lawriter's purported exclusive right to copy, publish or distribute the Georgia Regulations. Federal copyright law is the exclusive body of law under which anyone may claim exclusive rights to copy, publish or distribute the Georgia

Regulations, and federal copyright law pre-empts any attempt by Lawriter to create contract-based private copyrights for itself.

This Court has that held the pre-emption language in 17 U.S.C., § 301(a) sets up a two-part test for determining when a state-law claim is preempted. First, "we must decide whether the rights at issue fall within the 'subject matter of copyright' set forth in sections 102 and 103"; and second, "whether the rights at issue are 'equivalent to' the exclusive rights of section 106." *Crow v. Wainwright*, 720 F.2d 1224, 1225–26 (11th Cir. 1983) (internal citations omitted). "Because they are recast as federal claims, state law claims that are held to be completely preempted give rise to 'federal question' jurisdiction." *McClelland v. Gronwaldt*, 155 F.3d 507, 512 (5th Cir. 1998), adopted by this Court in *Blab TV Mobile v. Comcast Cable Communications*, 182 F.3d 851, 854 (11th Cir. 1999).

Here, the Georgia Regulations are "works of authorship" and "are fixed in a tangible medium of expression," so they fall within the subject matter of copyrights set forth in 17 U.S.C., § 102(a). Thus, the only remaining question is whether the rights Lawriter would purport to assert in any state law claim are the "equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106."

The "contract" Lawriter attempts to create by the Terms and Conditions of Agreement for Access added to the Secretary of State's website in April of 2016 requires users to agree to following provisions:

> You agree that you will not sell, will not license, and will not otherwise make available in exchange for anything of value, anything that you download, print, or copy from this site.
>
> You agree that you will not copy, print, or download any portion of the regulations posted on this site exceeding a single chapter of regulations for sale, license, or other transfer to a third party, except that you may quote a reasonable portion of the regulations in the course of rendering professional advice.
>
> If you violate this agreement, or if you access or use this website in violation of this agreement, you agree that Lawriter will suffer damages of at least $20,000.

Doc. 1 at 3-4, ¶ 6.

These rights are the substantial equivalents of at least four of the six rights Section 106 of the Copyright Act bestows exclusively on the owners of copyrights:

> (1) to reproduce the copyrighted work in copies…;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
>
> . . . .
>
> (5) to display the copyrighted work publicly.

17 U.S.C., § 106.

Although some cases (*e.g.*, *Lipscher v. LRP Pub's*, 266 F.3d 1305 (11th Cir. 2001)) have held that some contract claims are not pre-empted because they have an "extra element," there is also precedent for finding that any asserted "extra element" here would be illusory. Lawriter's Terms and Conditions of Agreement for Access are not, and were never intended to be, a bona fide agreement; they were intended to be and never have been anything other than an artificial device to defeat jurisdiction. "If there is no 'extra element,' or the 'extra elements' are merely 'illusory,' then the claim is equivalent to a copyright action, it is preempted by the Copyright Act and the federal courts have exclusive jurisdiction to hear it." *Ritchie v. Williams,* 395 F.3d 283, 287 n.3 (6th Cir. 2005); *see also Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1165 (1st Cir. 1994) ("such an action is equivalent in substance to a copyright infringement claim where the additional elements merely concern the extent to which authors and their licensees can prohibit unauthorized copying by third parties") (*rev'd on other grounds, Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 157 (2010).

Therefore, federal copyright law governs whether any party can exclude any other person from copying, publishing, distributing or using the Georgia Regulations. Accordingly, any claim asserted by Lawriter against Fastcase based on its "Terms and Conditions of Agreement for Access" would be predicated on exclusive rights that only the Copyright Act can bestow, so any such claim would be preempted, creating an additional basis for federal question jurisdiction.

The District Court did not specifically decide whether pre-empted claims - or claims as to which pre-emption was an open question - would create federal question jurisdiction. Fastcase submits that it would, and that failure to so hold was reversible error.

Conclusion

Despite Lawriter's tactical efforts to avoid adjudication by multiple changes of its presentation, Fastcase has alleged a controversy that not only is within the jurisdiction of the federal courts, but is within the exclusive jurisdiction of the federal courts. Dismissal for lack of federal subject matter jurisdiction was error, and should be reversed.

Respectfully submitted this 3rd day of November 2017.

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Certificate of Service

I hereby certify that on November 3, 2017, I electronically filed the foregoing **BRIEF OF APPELLANT FASTCASE, INC.** with the Clerk of Court using the CM/ECF system which will automatically send email notification of such filing to all counsel of record.

This 3rd day of November, 2017.

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